

Message Text

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GENEVA FOR PHELAN

E.O. 11652: N/A

TAGS: ETRD, OECD

SUBJECT: OECD AD HOC WORKING PARTY ON THE TEXTILE AND
CLOTHING INDUSTRY.

1. FOLLOWING IS TEXT OF U.S. REPLY TO DSTI/IND/TE/76.3.
PLEASE TRANSMIT TO OECD SECRETARIAT ASAP.

2. MAIN STRUCTURAL PROBLEMS:

THE UNITED STATES TEXTILE AND APPAREL INDUSTRY CONSISTS
OF SOME 30,000 PLANTS EMPLOYING 2.3 MILLION WORKERS
MANUFACTURING ALMOST EVERY CONCEIVABLE TYPE OF TEXTILES
AND APPAREL. THE INDUSTRY IS VAST AND THE STATE OF ITS
COMPONENT'S STRUCTURAL HEALTH IS EXTREMELY VARIED.

THE FOUR LARGEST TEXTILE COMPANIES REPRESENT ONLY 16
PERCENT OF THE INDUSTRY'S TOTAL PRODUCTION. HOWEVER,
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CONSOLIDATION IS SLOWLY OCCURRING. THE LOW RATE OF

INDUSTRY CONCENTRATION AFFECTS THE INDUSTRY'S ABILITY TO OBTAIN FINANCING FOR MODERNIZATION AND EXPANSION. THE NEED FOR CAPITAL HAS INCREASED AS A RESULT OF REGULATIONS SETTING NEW REQUIREMENTS FOR POLLUTION CONTROL AND OCCUPATIONAL HEALTH AND SAFETY.

WITH A LARGE NUMBER OF EXISTING FIRMS, AND NEW FIRMS ENTERING EASILY, THE APPAREL INDUSTRY IS ONE OF THE MOST COMPETITIVE IN THE UNITED STATES. THIS INTENSE COMPETITION RESTRAINS PRICES AND PROFITS. HOWEVER, THERE IS A LONG-TERM TREND TOWARD CONCENTRATION INTO LARGER FIRMS WITH INCREASED PRODUCT DIVERSIFICATION. IN 1974, THE TOP 95 FIRMS, COMPRISING LESS THAN 1 PERCENT OF ALL APPAREL FIRMS, ACCOUNTED FOR 27 PERCENT OF TOTAL INDUSTRY SALES. EVEN THOUGH THE LARGER FIRMS ARE MORE DIVERSIFIED AND BETTER FINANCED, THEY ARE ACHIEVING ONLY AVERAGE PROFITABILITY. THE SMALLER PRODUCERS AND MEDIUM-SIZED FIRMS PERFORM BETTER AS A GROUP. BECAUSE THESE FIRMS TEND TO SPECIALIZE IN A GIVEN PRODUCT, THEY ARE MORE SENSITIVE TO FASHION CHANGES, AND THUS HAVE HIGHER INVENTORY TURNOVER AND HIGHER RATES OF RETURN ON INVESTMENT.

APPAREL IMPORTS FROM LOW WAGE COUNTRIES CONTRIBUTE TO INCREASING CONCENTRATION. IMPORTS FROM LOW WAGE COUNTRIES HAVE A COMPETITIVE ADVANTAGE, AND CAN HAVE A DISRUPTIVE AFFECT ON THE U.S. MARKET. THIS IS PARTICULARLY TRUE OF PIECE GOODS ASSEMBLED ABROAD AND THEN IMPORTED TO THE UNITED STATES UNDER A PROVISION OF U.S. TARIFF LAW THAT LEVIES DUTY ONLY ON THE FOREIGN LOW WAGE ASSEMBLY COMPONENT.

MEASURES TAKEN:

THE UNITED STATES GOVERNMENT DOES NOT BELIEVE THAT STRUCTURAL ADJUSTMENT IS WARRANTED OR FEASIBLE FOR THE ENTIRE TEXTILE AND APPAREL INDUSTRY. A STRUCTURAL ADJUSTMENT PROGRAM SPECIFICALLY FOR THE TEXTILE AND APPAREL INDUSTRY DOES NOT EXIST. PROBLEMS CAUSED BY TEXTILE AND APPAREL IMPORTS CAN BE BEST HANDLED IN UNCLASSIFIED

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ACCORDANCE WITH THE GATT ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES.

PRIVATE INVESTMENT DECISIONS ARE THE U.S. ECONOMY'S MAIN APPARATUS FOR STRUCTURAL ADJUSTMENT. PRIVATE DECISIONS ARE SUPPLEMENTED BY THE UNITED STATES GOVERNMENT'S TRADE ADJUSTMENT ASSISTANCE PROGRAM.

THE PROGRAM ENABLES GROUPS OF WORKERS, INDIVIDUAL FIRMS, COMMUNITIES OR ENTIRE INDUSTRIES TO APPLY FOR ASSISTANCE. IF FOUND TO BE WARRANTED, THE UNITED STATES MAY APPLY ONE OR SEVERAL OF A VARIETY OF MEASURES TO PROVIDE AN ENVIRONMENT IN WHICH ADJUSTMENT EFFORTS MAY BE SUCCESSFUL. WHEN APPROPRIATE, THE UNITED STATES GOVERNMENT PROVIDES FINANCIAL ASSISTANCE. IN ADDITION TO THE FEDERAL GOVERNMENT'S PROGRAM, STATE AND LOCAL GOVERNMENTS HAVE PROGRAMS WHICH OFFER ASSISTANCE TO AFFECTED FIRMS AND WORKERS.

PROJECTS IN PROGRESS:

THE TRADE ACT OF 1974 LIBERALIZED AN EARLIER LAW'S CRITERIA FOR ASSISTANCE AND AN INCREASED NUMBER OF APPLICATIONS ARE BEING RECEIVED. SIX APPAREL FIRMS HAVE BEEN CERTIFIED ELIGIBLE FOR ASSISTANCE AS HAS A COTTON YARN AND FABRIC PRODUCER. ELEVEN THOUSAND TWO HUNDRED APPAREL WORKERS AND 830 TEXTILE WORKERS HAVE BEEN CERTIFIED ELIGIBLE FOR ASSISTANCE.

RECENT STUDIES:

RECENT STUDIES HAVE BEEN CARRIED OUT ON MANUFACTURERS IN THE FOLLOWING APPAREL AREAS: MEN'S SUITS, SPORT JACKETS, OVERCOATS, TROUSERS, SWEATERS AND SHIRTS, AND KNIT APPAREL; WOMEN'S BODY SUPPORTING GARMENTS, SWEATERS AND KNIT SHIRTS, AND SPORTSWEAR; CHILDREN'S AND INFANTS' SWEATERS; AND MEN'S, WOMEN'S AND CHILDREN'S RAINCOATS. STUDIES OF THE TEXTILE AREA HAVE BEEN DONE ON MANUFACTURERS OF RAYON TOW AND STAPLE, WOOL TOP, AND COTTON YARN AND FABRIC. AN INVESTIGATION OF THE WORK GLOVE INDUSTRY WAS CONCLUDED ON MARCH 8.

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3. ALSO PLEASE SUBMIT FOLLOWING CORRECTION TO DSTI/IND/TE/76.1: PAGE 3, LAST PARAGRAPH, SHOULD READ: "TO MEET AT AN EARLY DATE TO CONSIDER THE STUDY PLAN AND PROCEDURE FOR CARRYING IT OUT". KISSINGER

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